



DEPARTMENT OF VETERANS AFFAIRS
DEPUTY ASSISTANT SECRETARY FOR ACQUISITION AND MATERIEL
MANAGEMENT
WASHINGTON, DC 20420

IL 049-02-15
September 19, 2002

OFFICE OF ACQUISITION AND MATERIEL MANAGEMENT INFORMATION LETTER

TO: Veterans Integrated Service Network Directors; Directors, VA Medical Center Activities, Domiciliary, Outpatient Clinics, Medical and Regional Office Centers, and Regional Offices; Directors, Denver Distribution Center, Austin Automation Center, Records Management Center, VBA Benefits Delivery Centers, and VA Health Administration Center, Director, National Cemetery System; and, the Executive Director and Chief Operating Officer for the National Acquisition Center

ATTN: Head of the Contracting Activity
All VA Contracting Officers

SUBJECT: Replacement Community Nursing Home (CNH) Uniform Contract Formats

1. The purpose of this information letter is to replace IL 90-95-8, dated June 15, 1995, and to provide updated guidance regarding the above referenced subject.
2. Formats are in Pro Doc, using the Standard Form 1449, replace all previous CNH formats. These formats provide for two types of negotiated CNH vehicles: an Indefinite Delivery Indefinite Quantity (IDIQ) contract, as prescribed in Federal Acquisition Regulation (FAR) Subpart 16.504; and a Basic Ordering Agreement (BOA), as prescribed in FAR Subpart 16.703.
3. The formats encourage the use of multi-levels of care. The formats include all levels of care anticipated and option years. The "Economic Price Adjustment" provision provides an easy method of including new Medicaid rates that may change during the contract/agreement period.
4. Contracting Officers should use the acquisition method that best meets the needs of the medical center. An IDIQ contract makes it easier to place VA patients; however, a BOA should be used in those instances where reasonable estimated minimum and maximum quantities cannot be established.
5. **This is for internal purposes only, and should not be revealed to nursing homes.** Contracting Officers should negotiate the lowest obtainable rates, based on the local fair market value of CNH services, with rates not to exceed Medicaid-plus **18%** for "basic" care unless fully justified and authorized. VHA is planning to revise and update its CNH reimbursement policy in the CNH Handbook 1143 series. This will replace the M-5 reference.

When a State agrees to pay the same rate as the Federal structure under Medicare, advances in case-mix reimbursement systems have become available with the advent of the Minimum Data Set (MDS) and the resultant Resource Utilization Group (RUG-III) structure. In determining fair and reasonable pricing, Contracting Officers may choose to use the published

2.
IL 049-02-15
September 19, 2002

Medicare rates at Medicare minus 35% (maximum). Contracting Officers may choose to integrate a rate structure similar to that system. State Medicaid is the lowest pay rate allowed and at no time can payment be less than what the State is paying for a specific level of care.

In determining fair and reasonable pricing for specialty care requirements including dementia, refer to the Regional CNH Contract at <http://vaww.va.gov/oa&mm/intranet/rnh/>.

Additional information on pricing rates can be found in M-5 (to be replaced with Handbook 1143 series), Chapter 3, paragraphs 3.12 through 3.16 dated March 28, 1995.

6. If there are any questions or concerns regarding the above, please direct all technical correspondence to Dan Schoeps, Director, Long-Term Care Contracts, Geriatrics & Extended Care, at (202) 273-8546. For contracting issues, contact Cathy I. Collins, Procurement Analyst, at (202) 273-8774.

/s/David S. Derr
Associate Deputy Assistant Secretary
For Acquisitions

Distribution: RPC 7029